

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 /026 R

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R 050020Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

C O N F I D E N T I A L STATE 242676

EXDIS

E.O. 11652: GDS

TAGS: EFIN, EINV, CI

SUBJECT: ITT -CHILTELCO SETTLEMENT

REF: SANTIAGO 6534

1. IT IS DIFFICULT FOR OPIC TO ASSESS PROPOSED SETTLEMENT WHICH INVOLVES A SIGNIFICANT DISCOUNT FROM THE VALUE OF ITT'S INVESTMENTS IN CHILTELCO THAT HAD BEEN AGREED UPON BY ITT AND GOC.

2. PURSUANT TO AN AGREEMENT BETWEEN ITT AND GOC OF JULY 17, 1974 A JOINT COMMISSION WAS ESTABLISHED TO PREPARE A REPORT ON ITT'S DEBT AND EQUITY INVESTMENT IN CHILTELCO. THIS REPORT WHICH WAS ISSUED ON AUGUST 23, 1974 CONCLUDED THAT AS OF SEPTEMBER 30, 1971 ITT'S EQUITY INVESTMENT WAS DOLS 116.3 MILLION AND ITS DEBT INVESTMENT WAS DOLS 32.2 MILLION PLUS PAST DUE INTEREST OF DOLS 5.1 MILLION FOR A TOTAL OF DOLS 153.6 MILLION. ACCORDING TO PARAGRAPH 4 OF REFTEL ITT IS TO RECEIVE COMPENSATION OF
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DOLS 126 MILLION.

3. OPIC WOULD NOT WISH TO GIVE APPROVAL TO TRANSACTION WITHOUT PRIOR UNDERSTANDING AS TO REASON FOR DIFFERENCE BETWEEN AGREED-UPON VALUE OF ITT INVESTMENT AND PROPOSED AMOUNT OF COMPENSATION TO BE PAID. OPIC LOOKS FORWARD TO MEETING WITH SAEZ TO DISCUSS PROPOSED SETTLEMENT.

4. FYI. ARBITRATORS IN OPIC - ITT CASE HAVE REQUESTED A MEETING WITH THE PARTIES ON MONDAY, NOVEMBER 4. OPIC ANTICIPATES THAT ARBITRATORS HAVE REQUESTED MEETING TO ADVISE PARTIES OF THEIR DECISION. INGERSOLL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 NOV 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE242676
Document Source: CORE
Document Unique ID: 00
Drafter: PETER R. GILBERT
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740316-0897
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741170/aaaachaw.tel
Line Count: 72
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: SANTIAGO 6534
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by boyleja>; APPROVED <11 MAR 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITT -CHILTELCO SETTLEMENT
TAGS: EFIN, EINV, CI
To: SANTIAGO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005